The political economy of East Asian regionalism

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Introduction

Regional development in East Asia has been ongoing ever since countries in the region achieved independence after a long period of Western colonialism. Although the idea of a united East Asian front well predated World War II, the postwar era witnessed a renewal in the attempts to establish a new regional order different from those of the early decades, which were tainted with the memory of Japanese militarist regionalism in the form of colonialism, war, and subjugation. Early institutionalization in East Asia remained a part of the larger geopolitical struggle between the two major camps (Eastern and Western Blocs) and therefore had deep ideological undertones. Over time, however, the ideological aspect seemed to weaken, while a widely shared pragmatism took hold, albeit to varying degrees, among polities in East Asia.

Nonetheless, regionalization in East Asia has always had its own unique characteristics different from the earlier or ongoing regionalization in other parts of the world, be it in North America or in Europe. The Asian way emphasized mutual understanding, consensus building, incremental progress, and soft rule-making. Therefore, institutions that emerged from ideas of cooperation at different levels differed significantly from their Western peers in terms of their organic development and functions. The localization of East Asian institution building led to the development of a number of theories with active and diverse scholarly debate in many aspects (He 2004; Ravenhill 2009).

This chapter offers a broad assessment of East Asian regionalism by attempting an investigation into the development of regional integration frameworks originating in the region. It traces the conceptual evolution of regionalism in East Asia. For this, it reviews major extra forces that promoted various initiatives in the region and factors that stimulated countries in the region to cooperate economically.

The chapter concludes that the evolution of East Asian economic regionalism has been a result of shunning the rules set by the American-led bloc (Wu 2015b). Furthermore, it finds that East Asian regionalism has evolved over time from reactive to proactive institutionalization, with China-led initiatives in East Asia acting as part of the region’s greater challenge to US dominance. Therefore, regionalization in East Asia has followed the geopolitical lines of fracture and competition.
Open regionalism, Asia-Pacific regionalism, and East Asian regionalism

Open regionalism

Initially, the development of economic institutionalization in East Asia maintained regional characteristics embodied in the term “open regionalism.” Especially from the end of the Cold War to the late 1990s, the United States worked hard to convince and sometimes push skeptical Asian nations to liberalize their economies in order to ensure the free flow of trade and investment and provide new markets for its multinational corporations.

Open regionalism reflected the desire to address through cooperation the compatibility problems of international trade. The notion of open regionalism attempted to provide a fundamental framework so that regional economic arrangements would not block international economic liberalization and the streamlining of trade-related interaction across national borders. The idea of flexibility or openness emerged and was embodied in the Asia-Pacific region in the form of the Asia-Pacific Economic Cooperation (APEC) in 1989 (Nair 2008). As economic regionalism recognized transnational economic interdependence and attempted to devise policies and structures to regulate this interdependence, a crucial component of this economic multilateralism was the creation of APEC.

Asia-Pacific regionalism

The first viable institution founded upon the notion of inclusive regionalism was APEC. There were prior efforts to establish dialogue platforms on economic issues around the Pacific Rim, including the Pacific Basin Economic Council (PBEC), established in 1967 by leading bankers and business leaders from Australia, Canada, Japan, New Zealand, and the United States, and the Pacific Economic Cooperation Council (PECC), formed in 1980 as a tripartite forum of government, business leaders, and academics; these provided the foundation for APEC (McKay 2002). However, APEC differed in that it was the first organization in the region to promote dialogue and cooperation on economic issues at the government level and thus came to be viewed as a symbol of Asia-Pacific regionalism. Hence, from its inception, APEC broadened the scope of flexible economic cooperation by elevating the level of interaction from nongovernmental to governmental level since, doubtlessly, although functional and beneficial, economic interaction at the nongovernmental level had a narrower scope (Park and Lee 2009).

One of the factors originally prompting the establishment of APEC was that it was viewed as a way of countering the protectionist tide perceived to be on the rise. As a result, the membership of APEC tended to be thought of in inclusive rather than exclusive terms. Furthermore, APEC is in essence a product of the rise of economic liberalism. Central to it is a belief in market-led integration and the seemingly tautological notion of “open regionalism.”

Although APEC was first initiated by Australia in 1989, it is the United States that has played a leadership role in maintaining it. In the postwar era, the United States became the sole dominant foreign power, while the East Asian region was still reeling from the end of European colonialism and Japanese expansionism. Naturally, the emergence of economic regionalism was greatly influenced by the United States, and APEC is seen as having been the principal vehicle for moving open regionalism forward in the 1990s. The open regionalism that was promoted by the United States under the APEC framework remained as a core force for Asia’s regionalization for a long time.
However, the US pressure for regional trade liberalization was met with skepticism on two counts. First, the United States was viewed as taking protective actions on behalf of its national interests, including business interests, while pushing for liberalization and opening up in Asia. Second, regional countries objected to comprehensive liberalization because of the perceived necessity to protect their key industries. For example, when the United States tried to push trade liberalization further in 1996 with the Early Voluntary Sectorial Liberalization (EVSL) initiative, it ran into opposition led by Japan. APEC members were unwilling to accept pressure to liberalize beyond what they would have done unilaterally, and the scope for concerted unilateral liberalization had narrowed by the late 1990s (Pomfret 2009).

**East Asian regionalism**

Institutional development in East Asia has followed a regional logic in past decades, moving from the periphery to the center. Unlike the European experience, in which big countries initiated and drove the regional integration projects, in the East Asian context, East Asian institutions were initiated by small powers and later followed by big powers. Initiatives such as the East Asian Economic Group (EAEG, 1990), East Asian Economic Caucus (EAEC, 1990), and ASEAN plus Three (APT, 2001) were first proposed by states on the periphery, such as Singapore, Malaysia, and Australia.

Although EAEC could be seen as a starting point, East Asian regionalism was still influenced by APEC’s ability to genuinely represent the interests of East Asian countries (Yu 2003). It can be argued that East Asian economic regionalism has been reinforced by APEC. Historically, two broad approaches emerged within its framework. Whereas ASEAN member nations argued for a loose, consensus-based body with a small secretariat (the ASEAN Way), developed countries, such as Australia and the United States, advocated a more tightly focused and rules-based organization with established norms and an effective secretariat (McKay 2002). The regional preference affected APEC’s prospects as the East Asian states tried to elude the American-led APEC in favor of a more regional economic development (Ball 2000). In other words, APEC paved the way for East Asian regionalism with deeper Asian characteristics.

**Emergence of East Asian economic regionalism**

**East Asian economic group in APEC**

Among the various proposals for regional integration, the call for the creation of an East Asian region-wide grouping came the earliest. The idea of forming an East Asian grouping was first explicitly proposed by Malaysian Prime Minister Mahathir Mohamad in 1990 when he called for the formation of the East Asian Economic Group (EAEG). His proposal not only received strong opposition from the United States, which feared it might evolve into an exclusive East Asian bloc, but also received a cold response from other East Asian governments, which were wary of Mahathir’s plan and under American pressure to withhold support for the idea. However, despite initial setbacks, the idea of more institutionalized East Asian cooperation remained sound enough to be pursued later (Cai 2003).

Initially, the United States had been thrilled about Australia’s APEC initiative in 1989. However, US policy changed later to support and actively participate in APEC. Some explained that the policy shift was because of the US strategy to push European countries on free trade issues in the Uruguay Round of multilateral trade negotiations (Higgott 1995).
However, more people in the region believed that the US goal in participating in APEC was to put an effective stop to the forming of an East Asian grouping as initiated by Mahathir in 1990. Thus, APEC, from the beginning, represented the antithesis to the Asian solution to Asia’s own problems and became an embodiment of the US comprehensive presence in the region.

Under US leadership, APEC was successful in laying out objectives for trade liberalization in 1994 at its annual session in Bogor, at which APEC leaders agreed upon a set of goals that included free and open trade and investment in the Asia-Pacific, by 2010 for developed economies and 2020 for developing economies.

Furthermore, the APEC Leaders’ Summit was added in 1993 and offers an institutionalized venue for the heads of government of all member economies to convene. In a surprisingly short time, APEC, under US leadership, moved the member governments from a consultative framework to a negotiating body, with concrete decision-making procedures.

However, APEC’s increasing international profile did not pass uncontested in its early stages as some states, Malaysia being the most vocal, still exhibited a preference for a more “Asian” and less “Pacific” forum for regional economic dialogue (Higgott and Stubbs 1995). They have insisted on a loose structure and nonbinding agreements, which could be seen as obstacles to APEC’s goal of trade liberalization. Moreover, there was frustration from the Asia side about American-led APEC members’ having focused exclusively on the liberalization agenda while neglecting development cooperation (Yu 2003). Overall, there were substantive outcomes generated by the APEC meetings and programs. APEC could be seen as successful in bringing the two sides of the Pacific closer economically by enabling a smoother relationship and resolving a number of protracted conflicts between some countries in East Asia and the United States (Cai 2003).

However, in the aftermath of the 1997 Asian financial crisis, this situation changed rapidly as East Asian countries embarked on bilateral negotiations within regional and extra-regional economies.

Asian financial crisis and regionalism with deeper Asian characteristics

It is, then, no mistake to say that the 1997 Asian financial crisis became a major turning point in shifting the locus of regionalism from the Asia-Pacific to East Asia. In particular, the crisis revealed East Asia’s vulnerability to external forces, including the rapid cross-border movements of short-term capital and the influence of global financial institutions.

At the same time, it reminded countries that the US- and the West-dominated International Monetary Fund (IMF) did not adequately protect the interests of East Asian economies (Komori 2009). Specifically, the 1997 Asian financial crisis caused a deep suspicion toward international organizations (e.g., IMF) and the industrialized Western powers because of their either inadequate or, as it was perceived, insincere approach toward the economies that were feeling the brunt of the crisis. Also, many held that the crisis was largely due to international financial manipulation of the immature local markets in a number of Asian states. This understanding of vulnerability to the destructive effects of the global finance movement created a deep suspicion and led many regional countries to seek to protect themselves from any future crisis. The natural response has been to return to the regional dynamics as embodied in the launch of the Chiang Mai Initiative (CMI) in 2000, the Asian Bond Market Initiative (ABMI) in 2003, and many others.

Thus, the 1997 Asian financial crisis was an important event that led to Asia’s disillusionment with the existing US-dominated regional cooperation scheme. In the wake of the crisis, various initiatives for East Asian regionalism were strongly influenced by the United States. However,
there has been a wide range of changes in regional economic structures since the Asian financial crisis, during which there was high demand for regional economic cooperation, and APEC could play a central role. However, except for offering lip service and rhetorical support, APEC did not provide any help to Asian countries that suffered from the crisis (Kawai 2007).

In brief, the 1997 Asian financial crisis brought an effective end to liberalizationist frameworks and opened the way for regionalism with deeper Asian characteristics that emphasized trade bilateralism. This regional preference also affected APEC’s prospects as East Asian states tried to elude the American-led APEC in favor of a more regional economic development and security framework.

As of 2010, there were 137 trade agreements in East Asia, either in force or awaiting implementation, as well as 54 under negotiation (Feridhanusetyawan 2005). Thus, the Asian economic crisis was an important juncture during which Asian countries began to develop a new sense of regional identity, recognizing that their interests did not always correspond with the interests of the United States and the West.

**ASEAN Plus Three forum**

In the late 1990s, the East Asian Economic Grouping idea was revived with the ASEAN Plus Three (APT) forum. Initiated by ASEAN states, APT first emerged because of the need for ASEAN and the three Northeast Asian countries – China, Japan, and South Korea – to prepare for the Asia-Europe Meeting (ASEM), which was first held in 1996. APT soon evolved into an institutionalized forum for consultation and cooperation between ASEAN and the three Northeast Asian countries over a growing range of regional issues. Progress on regional cooperation is highly publicized after the informal APT summit meetings following annual ASEAN summits. The first APT summit meeting was held during the 1997 ASEAN summit in Kuala Lumpur. The main purpose was to discuss the 1997 Asian financial crisis and its aftermath. After the informal meeting, a range of regular ministerial and other official meetings involving foreign ministers, finance ministers, economic ministers, central bank governors, and senior officials from other ministries and government offices were held (Cai 2003).

Many view the regional trade frameworks in East Asia as building blocks of a future ASEAN Economic Community (AEC). However, there seems to have been a lack of a clear format and modality for negotiations. The emergence of APT, for instance, was not to create a free trade regime but to provide financial cooperation, which was manifested in the launching of the CMI in 2000 based on lessons learned from the Asian financial crisis. Obviously, the interests of each and every actor have been instrumental to the pace, speed, and direction of the regionalization. If interests are generally aligned, the implementation process will be faster.

In brief, the APEC experience has proven to be rather constructive for East Asian countries in terms of the practice of economic cooperation and the process of community-making, whereas the Asian financial crisis shifted the course of economic multilateralism toward closer regional cooperation. In this sense, the establishment of the APT was based on lessons learned from the positive APEC experience and the negative Asian financial crisis experience and would not have otherwise been possible.

**China’s rise and East Asian economic regionalism**

During the Asian financial crisis, China took a more active stance in resisting pressure for rapid liberalization and took regional responsibility through financial measures that reduced
the negative effects of the crisis on regional economies. Along with countries’ more positive perceptions of China in the wake of the crisis, China’s economic rise over the past four decades also significantly impacted the East Asian institutional landscape. China’s growing economic power has provided it over time with the required capability to not only take part in regional institutional settings but also initiate its own frameworks.

**China’s economic rise and the domino effect**

China’s rise has had impacts on East Asian economic regionalism. China has played an increasingly important supporting role in regional economic cooperation not only because of its rapid economic development but also because the former “flying geese” model of vertical economic integration with Japan as the regional leader is gradually shifting toward a horizontal development model centered on China. This is supported by China’s trade with all East Asian countries and the China-centered production network that spreads across the region (Men 2007).

The China-ASEAN FTA (CAFTA) was the most remarkable free trade agreement in recent years. ASEAN’s trade talks with China went more smoothly than with many others that it had been negotiating. The two sides reached an agreement on trade liberalization in goods in 2004 and on trade liberalization in services in 2007. The accords entered into force for China and the five economically stronger ASEAN member states in January 2010. Consequently, the period between 2001 and 2007 witnessed a roughly fivefold increase in the volume of Sino-ASEAN trade (Webber 2010). In November 2015, China and ASEAN agreed to upgrade China-ASEAN FTA (CAFTA) across a broad range of areas, including goods, services, investment, and economic and technological cooperation (CNTV 2015).

It also seemed that a certain domino effect came into play and accelerated trade institutionalization in the region. Indeed, as the number of trade agreements grew, the effect of the trade agreements increased, providing incentives for more countries to join the free trade agreement movement, thereby creating a domino effect. Once again, the CAFTA might serve as an example. Following the opening of negotiations between China and ASEAN, as anticipated, Japan submitted a similar proposal to ASEAN within months only to be followed by Korea. Similarly, after the success of the China-Korea FTA, Japan warmed up to the idea of accelerating the ongoing trilateral trade agreement between China, Japan, and South Korea.

**Confidence-building process for East Asian economic regionalism**

Trade institutionalization and the emerging East Asian regionalism contributed to the region in many ways. First of all, they have been utilized to cement the political relationships among the countries involved. For example, the China-ASEAN agreement was regarded a political confidence-building process with significant geostrategic and economic undertones (Soesastro 2003). It has even been argued that the key factor in the recent Asia-Pacific regionalization is the need for stronger cooperation with China as a result of its growing importance in the region (Pangestu and Gooptu 2004). With China as the largest contributor to the region’s economic development and the largest manufacturing and consumption market, it was perhaps only natural for countries to seek access to the Chinese market, technology, and logistical network.

From the perspective of international political economy, the rise of China and its institutional strength can be viewed as factors that gradually push the United States into economic
defense mode in the Asia-Pacific. China has remained quite cautious so as to avoid being seen as seeking anti-US regionalization by reiterating that Washington, which is aggressively pushing forward the Trans-Pacific Partnership (TPP), should not feel concerned about the rise of China and that regional integration is also in the interest of the United States, but the United States is far from convinced. This is the reason that it has initiated an active containment strategy against China ever since the APEC meeting in Hawaii in 2011. China, on the other hand, relying on the soft power of economic interaction and integration, seems aware of the fact that the best way to counter US efforts to maintain its role as guarantor of regional security and bolster its military presence in the Asia-Pacific is economic cooperation and development.

**Impacts of the US-led FTAAP and TPP**

In response to China’s rise in East Asia and the declining influence of the United States, which was made clear when it failed to push forward the Free Trade Area of the Asia-Pacific (FTAAP) framework under APEC in the mid-2000s, the United States began to view the TPP as a viable instrument to promote high-standards trade liberalization in the Asia-Pacific since September 2008.

**The United States and TPP**

After eight years of the Bush administration, in which close US allies in Asia criticized the US government for dedicating too much time and effort to the Middle Eastern theater at the cost of ignoring the Asia-Pacific, the United States returned to Asia in full force under the Obama administration, especially with Hillary Clinton as the Secretary of State. The rebalancing (or pivot), which is widely considered to be in response to China’s economic and military rise, involved the reallocation of US global power projection capabilities and especially its naval assets from the Middle East to East Asia and the Asia-Pacific (Logan 2013). The economic component of this strategy was the TPP, which was considered a highly formalized trade regime. The Obama administration once attempted to assume leadership in TPP by promoting it aggressively as a high-standard trade regime and as a model for future direction of international trade. Equally important, it was anticipated that geopolitical influence would undoubtedly follow trade in East Asia, as it already had been in previous years. With China being excluded from the negotiations, the TPP was understood as the economic aspect of the Asia-Pacific rebalancing. A trade agreement that involved the United States and 11 Pacific Rim countries, including Australia, Japan, Singapore, and Vietnam, the TPP was obviously considered by the US administration as a critical component in forming a trade regime that served the best interests of the United States. As voiced by President Obama in his 2016 State of the Union address, “With TPP, China does not set the rules in that region; we do” (Obama 2016). It was clear that the aim of the TPP for the Obama administration was to ensure US supremacy in East Asia.

However, the new US administration under Donald Trump formally withdrew from TPP trade deal. In fact, during his campaign period, Trump had criticized heavily the potential negative implications of the TPP, which included weakening the US manufacturing by leading to unbalanced bilateral trade with its Asian partners and, consequently, to high employment, especially among the middle-aged, white, male US population. As a matter of fact, in his unorthodox opposition and political rhetoric, Trump has not only targeted the TPP but also other major deals, such as the North American Free Trade Agreement (NAFTA) and the
ongoing Trans-Atlantic Trade and Investment Partnership (TTIP). The Trump administration also has launched currency manipulation accusations, blanketing a number of economies, especially those with high national reserve and positive Net International Investment Position (NIIP), such as China, Japan, Korea, Germany, and Taiwan (SCMP 2017).

The withdrawal of the United States from the TPP will likely have both political and economic implications, some of which have already become visible. Politically, especially in Southeast Asia in which territorial disputes over maritime features and boundaries abound, the major stakeholders appear to be more cautious in serving as a forward base for the US efforts to militarily encircle China. For example, the Philippines has recently put greater distance between itself and the United States, while Malaysia has chosen to develop military ties with China by purchasing China-made naval platforms. Trump's mixing of security in East Asia with trade concessions by the developing SEA nations in favor of the US business interests has created suspicion toward Washington's commitment in the region as a security provider. Economically, regional countries appear to concentrate more on bilateral trade negotiations as well as on alternative regional settings, such as the ASEAN-created Regional Comprehensive Economic Partnership (RCEP) and China-led FTAAP. Thus, at the APEC summit held in Peru in 2016, China promoted strongly the alternative trade platforms and explicitly stated that economic globalization should be ensured against the rising protectionism in the developed West led by the United States (Xinhua 2016).

RCEP and China’s vision

While TPP negotiations gained momentum at early stage, ASEAN states responded by initiating the RCEP in 2011. It is being negotiated between the ten member states of ASEAN plus regional trading partners, including Australia, China, India, Japan, New Zealand, and South Korea. The main purpose of RCEP is to derail or divert attention away from the high-standards TPP and propose a more Asian way of ensuring economic cooperation and openness. One of the most significant aspects of RCEP is that the United States is excluded from it, which leaves China as the largest and most influential player within the grouping. China has been seen as the key driver of the regional trade pact, which has viewed as an alternative to the US-led TPP agreement with the world’s second-biggest economy excluded.

The fact that some of the RCEP’s members, such as Japan, Australia, Vietnam, and New Zealand, were also members or nonparty signatories to the TPP underlined its role as a balancing institution to the US-led TPP. Even though ASEAN leaders announced that the conclusion of the deal would help allay fears that the US-led TPP could have dividing effect on the ASEAN, the competition between RCEP and TPP remained obvious up until 2017 (Straits Times 2016). The two frameworks, in a sense, reflected two distinct ideals of regional integration.

From the beginning of RCEP initiatives, China chose to promote the far less rigorous RCEP, which would include countries making up about 30 percent of global GDP but exclude the United States. To many observers, this choice was wise because it was obvious that China’s leaders knew their country had to remain outside the TPP because they could not meet the “high standards” that were incorporated into the structure of the pact. China perceived the TPP as being not the right framework for the stage of development the country was in. Most importantly, many saw that the proposed pact would “not achieve a level of ambition or comprehensiveness to provide a real alternative to the TPP, but it [would] nonetheless form the center of East Asia’s trade regime if the Trans-Pacific Partnership [did] not come into existence” (Chang 2015). The withdrawal of the United States from the TPP has effectively put a dent on the progress of the negotiators. Accordingly, some member states,
such as Vietnam, halted parliamentary procedures regarding the deal, while others, such as Japan, continued to seek to salvage the agreement. However, Japanese Prime Minister’s hasty visit to the United States and personal efforts did not work out as Trump went ahead with his primary campaign promise.

**China and East Asian economic regionalism**

The gradual development of the ASEAN plus frameworks from ASEAN plus China to APT and then to other ASEAN-centered frameworks exemplifies this incrementally developing and Asia-centered regionalism. Within this new scheme, “China’s growing economic and military power, expanding political influence, distinctive diplomatic voice, and increasing involvement in regional multilateral institutions are key developments in Asian affairs” (Shambaugh 2004/2005) and represent an increasingly proactive process of regional economic integration driven by Beijing. Especially after the demise of the TPP process, China’s role in East Asia as a major market, source of investment and the most capable infrastructure, and logistics developer has grown considerably. As anti-trade forces gain the upper hand in major developed Western capitals, developing countries in East Asia look up to China to break through the vicious cycle of poor infrastructure and unsustainable development.

**East Asian economic regionalism with Chinese rule-setting**

Recent developments in East Asian economic integration highlight three features of the emerging pattern of regional integration. First, it is more institutionalized. Since the Asian financial crisis, mechanisms such as the CMI and ABMI have been implemented to regulate financial and other monetary transactions. Second, it is more China-centric and, as a result, proactive. China seems to be the driving force behind exclusive regionalism in East Asia, and its economic scale and political capabilities make it the de facto leader of regional economic integration, sideling the United States and reducing its presence into provider of security in the region. Third, it is more Asian. Economic integration is more Asian in large part because it is developed and promoted by China.

This eventually brings the region to an interesting juncture. With the decline of the US influence as exemplified by the practical end of TPP negotiations and rising US protectionism, reactive or passive regionalization is no longer encouraged, and the region instead has to make active choices about regional economic integration. It is unavoidable that the more China integrates with the region, the more the United States gets isolated due to the simple reality of the scale and potential of China’s economy. Indeed, in 2013, China became the world’s largest trading nation, eclipsing the United States for the first time, one year after it become the world’s largest trading partner with 124 countries considering China their largest trading partner and only 76 having that relationship with the US. This was a major shift since 2006, when the US was the larger trading partner for 127 countries, while China dominated among 70 (RT News 2013).

In fact, the absence of President Obama at the APEC Summit in Vladivostok in 2012 showed how the United States was moving away from APEC to promote TPP as the new venue for the opening up of East Asia for US business interests and countering of China. However, the APEC Lima Summit in 2016 also suggested that the United States might be entirely sidelined (in part, due to US government’s own choosing) from Asia-Pacific regionalization as China emerged the new promoter and leading provider of trade, connectivity, and development.
China’s regionalist push has gained traction over the past five years, symbolized by the launch of a number of frameworks and supporting institutions. China’s regionalism in this new context is not reactive but appears to be proactive and offering an alternative, rather than a revisionist rival paradigm, for the nations in the Asia-Pacific. China-led, East Asia-based, Eurasia-oriented regionalism, therefore, is a highly economics-oriented strategy and stands in stark contrast to the US-led security-oriented engagement in the region. Trump administration’s conditionality of security provision to trade concessions by its allies in East Asia has shed a revealing light on the sustainability of US commitment in the region. Thus, currently, small and medium powers in the region seem to be reconfiguring their strategies and shifting their policies, which, as opposed to the contentious environment that was generated during and in the aftermath of the SCS arbitration, suggests that China’s ideas of regional cooperation, connectivity, openness dispute-resolution bilateralism, and confidence-building are generating a more favorable resonance across the region.

**One Belt, One Road**

The most important component of China’s new regional framework is the One Belt, One Road Connectivity Project (OBOR). Initiated by China in 2013 as an economic strategy to build infrastructure and increase connectivity throughout Eurasia, OBOR is an integrated two-tier strategy composed of the Silk Road Economic Belt and 21st-Century Maritime Silk Road. The project was announced by President Xi Jinping in September 2013 during his visits to Kazakhstan (Silk Road Economic Belt) and Indonesia (Maritime Silk Road). The primary purpose of OBOR is to integrate Eurasian countries through a network of overland road and rail routes, oil and gas pipelines, maritime routes, ports and other required coastal structures, and cyber networks (Kennedy and Parker 2015). Having set the project as one of the primary goals of its 13th Five-Year Plan (2016–2020), China is at the center of entire initiative as the initiator and largest financial contributor to the projects.

In his speech delivered to the Indonesian parliament, President Xi also voiced China’s intention to establish a bank to finance infrastructural development and reinforce connectivity and economic integration in Asia and beyond. The Asian Infrastructure Investment Bank (AIIB) was launched in October 2014 with 21 Asian countries signing the Memorandum of Understanding on Establishing AIIB as founding members. As the largest shareholder, Beijing pledged US$50 billion for the bank. In November of the same year, at the APEC meeting, President Xi announced the establishment of the US$40 billion Silk Road Fund to provide investment and financing support for the projects in countries along the OBOR. Thus, aside from the various infrastructure projects it has initiated bilaterally or multilaterally, Beijing has, so far, pledged funds to assist the development efforts (Wu, 2015a, 4–8).

The region-wide interest in China-led institutions indicates that Beijing’s persistent developmentalist diplomacy has created an alternative discourse to US attempts to manage inter- and intra-Asian economic and security affairs. This indicates an overall shift in the understanding of regional dynamics as one emphasizing development as a means to ensure peace and security but not necessarily the reverse. This lends support to the argument that US-instigated institutionalization, even those that are seemingly of economic nature, are militarist and punitive in nature because of their inherent design to counter and contain China. As an alternative to that, China has offered flexible and inclusive institutionalization that brings together not only individual Asian nations but countries across Eurasia around the ideas of infrastructural development, connectivity, and peace.
Conclusion

This research has found that regionalism in East Asia has gone through a number of stages, moving from peripheral frameworks to central or regional frameworks. As the transition continues, the regional development framework has shifted gradually from Western or US-centric understandings to indigenous conceptualizations. Historical shifts played significant roles in this transition. During the early 1990s, regional integration adopted a multi-lateral framework that was embodied in the US-led APEC. The old framework encouraged open regionalism with Asian and non-Asian (Asia-Pacific) participation. Strict neoliberal market liberalization was emphasized as the regional economic ideology, which required countries to open up their markets for foreign investment and deregulate their financial structures.

The old model suffered a heavy blow in the aftermath of the Asian financial crisis, with APEC and global financial institutions unable to effectively respond to the crisis. Exclusive regionalism emerged in the mid-1990s and was further supported by the apparent weaknesses of inclusive regional economic integration initiatives. Under these conditions, bilateral FTAs mushroomed in the region, and the US-led neoliberal paradigm was largely sidelined in favor of market regulation, financial protectionism, and regional cooperation schemes. Eventually, over the past decade, especially with the rise of China as a contender against the United States in the Asia-Pacific, a new, competitive regionalism emerged in which China and the United States began to promote their own vision of regional development. The United States pushed for hard regionalism, arguing that, for economic development, neoliberal market mechanisms and new economic conditions, such as intellectual property rights, must be recognized and the state must pull from all economic activities over time. China, on the other hand, began to argue for a less standardized development model with key industries protected and countries seeking consensus on the issues to ensure win-win cooperation. The TPP and the RCEP, in this sense, stood on opposing sides as regional countries are left with the choice of choosing the best offer.

However, with Trump’s decision to withdraw the United States from TPP, regionalism in East Asia has become more proactive and, potentially, a more indigenous process; that is, instead of reacting to regional or global shocks or signing on to extra-regional initiatives without playing a major role in their creation, countries seek to proactively cooperate and improve the regional economic and political landscape within a framework that is resolutely more Asian. The primacy of the state has not weakened in East Asia, and the European experience, which is itself in deep existential crisis now, has proven to be inapplicable to East Asia, even as it moves toward the formation of economic communities in Southeast Asia (ASEAN) and Northeast Asia (China-Japan-Korea Free Trade Area). In other words, the market fundamentalism promoted by the United States has also thus far fallen short of becoming a rule as state-led development continues to be the norm in the region. It appears that, as China shifts its development efforts from the Asia-Pacific to Eurasia, regional countries and groupings, such as Japan, South Korea, and ASEAN, will also shift their positions along with the emerging China-centric frameworks.

Notes

1 The term “rules” in this chapter means practice, procedures, agenda setting, and norms, ranging from formalized legal entities, such as the WTO, to more informal but legally buttressed and abiding sets of practices.
2 APEC (Asia-Pacific Economic Cooperation), APT (ASEAN plus Three), CAFAT (China-ASEAN Free Trade Agreement), FTAAP (Free Trade Area of the Asia Pacific), CKJFTA (China-Japan-Korea Free Trade Agreement), TPP (Trans-Pacific Partnership), and RCEP (Regional Comprehensive Economic Partnership).

References


